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SUBJECT: Two German States Tackle Demographic Challenges

¶1. SUMMARY: The states of Hesse and Saarland, like much of Germany, face tectonic shifts as their populations stagnate and age. Whereas Saarland is home to Western Germany's most rapidly shrinking population, Hesse's uneven growth is causing public policy challenges. Their differing approaches to this issue show there is no "one size fits all" solution to a process which will profoundly shape the region's economy, society, and environment in coming decades. END SUMMARY.

A Tale of Two States  
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¶2. This report contrasts the approach of Saarland and Hesse in managing demographic change. While Saarland has western Germany's most rapidly shrinking population, Hesse faces serious disparities between the service-based Rhine-Main region around Frankfurt (which continues to grow) and stagnant rural/industrial areas. Both states have started to counter the problems of a shrinking and aging population. In Saarland, the state has pioneered more efficient use of urban space and the revitalization of aging towns in rural areas.

The Hesse state government, in contrast, is searching for a more comprehensive approach led by an all-party commission of the state parliament (established in 2003, the commission released its first findings in 2005 and will make recommendations later this year).

¶3. NOTE: According to the Federal Statistical Office, Germany's birth rate fell last year to its lowest level since 1991. Approximately 676,000 babies were born, a decline of 4.2 percent from 2004. At fewer than 8.5 births per 1,000 inhabitants, Germany now has the lowest birth rate in Europe. By comparison, births per 1,000 inhabitants stand at 11.9 in the Netherlands, 12.0 in the UK, 12.7 in France, and 15.2 in Ireland. Immigrant women have a substantially higher fertility rate (1.8 versus 1.3 for Germany as a whole), but still below the 2.1 needed to stabilize population. END NOTE.

Saarland: Fighting Rear-Guard Battles  
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¶4. In Saarland, a state of slightly more than one million inhabitants, only 7660 babies were born in 2004, while 12015 people died; the state's remaining population mix is aging rapidly. According to State Environment Ministry spokesman Martin Hohnhorst, the state also continues to lose record numbers of residents to other parts of Germany (a development clearly impacting Saarland's population, but that also has other economic, social, and non-demographic implications beyond the scope of this report). Interestingly, the only region in Saarland experiencing a rise in population is along the French border. Roman Glauben of the Saarbruecken State Chancellery (who is working on demographic change issues) opined to us that "France's successful population policy is shedding a few rays of light on our border state." Border-region growth may also stem from Saarland's lower property prices (versus France) and the strong job market in nearby Luxembourg.

¶5. In response to de-population in rust-belt and rural areas,

Saarland has created the MELANIE program to revitalize towns, "right size" shrinking areas, and streamline public services to accommodate a smaller and more elderly populace. It is the first program of its kind in Germany to set mandatory caps on new property development in towns whose populations are expected to decrease. As Hohnhorst explains it, the state government is giving priority to developing existing infrastructure (particularly in town centers) over using new land for development. This means a de facto growth ban for some areas, sparking local resistance. Other measures, such as the closure and merger of elementary schools, have also met broad local protest. Saarland's CDU/Christian Democratic government does not have all-party support for its policies; Saarland parliamentarian Peter Gillo (SPD/Social Democrats) told us that closing schools and child care facilities has the opposite effect on the problem. Like many, he argues that low birthrates reflect the burden on women who must choose between career and children, advocating more subsidized daycare facilities so that working mothers can return to the workforce.

Hesse: Thinking Long-Term

16. In Hesse, policy-makers are pursuing a more comprehensive (and slower) approach to demographic change. A Hesse parliament report (one of the first of its kind) points out that the state will have "fewer, older, and more ethnically diverse" residents as Hessians live longer (and due to immigration). The parliament's report warns that demographic change will also seriously impact state finances. One example is the need to rethink utilities and other services in areas with a shrinking population. Another are increased pension payments and less income tax revenue from retired civil servants (states employ the bulk of public workers in Germany). In May, Hesse Minister-President Roland Koch (CDU) said publicly that he expects the retirement age to rise to 70 in the coming years in reaction to this trend. Koch has also frequently spoken of the need

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to work longer hours in view of the shrinking working-age population.

17. Stark regional disparities make a comprehensive political strategy difficult in the state. While Frankfurt is among Germany's fastest growing cities, areas in northeast Hesse could lose a fifth of their population by 2020 (projections indicate Hesse as a whole will lose 8.9% of its inhabitants by 2050). Frankfurt officials are optimistic that Frankfurt will remain one of Germany's few cities with stable or even slightly growing populations; a study by the University of Cologne suggests that Frankfurt's population might increase by 10% through 2040. Hesse's minister in charge of the state chancellery, Stefan Gruettner (CDU), told us that the Hesse state government has selected three counties and state capital Wiesbaden as target regions to increase the birthrate from 1.3 to "at least 1.8." With a paltry budget of 40,000 Euros, though, the political opposition calls the program "a bad joke."

18. Consulate representatives attended a recent discussion entitled, "Demographic Development -- A Challenge for the Economy in the 21st Century," hosted by the Frankfurt Chamber of Commerce and Industry (IHK) and including Hesse Minister-President Roland Koch. Frankfurt IHK President Joachim von Harbou called it unacceptable that so many highly-educated women in Germany choose not to have children, arguing that unfavorable policies and social mores compel women who want to advance in their careers to forego starting families. In his remarks, Minister-President Koch said that solutions most look beyond Germany's low birth rate and address underlying social issues and the economic impact of an aging population.

COMMENT

19. Demographic change has arrived as a social and political reality. While all four state governments in our district have commissions working on demographic problems, their approaches differ significantly in practice. In Saarland, the Environment Ministry has the lead and frames the issue in terms of managing the impact of aging and depopulation. Saarland's demographic problems are visible

and dramatic, with the prospect of undermining the state's financial and political future (over the years, some outside the state have proposed merging Saarland into Rheinland-Pfalz). In Hesse, the state parliament is driving a more comprehensive but slower approach -- with Frankfurt and the Rhine-Main region growing, the demographic and structural problems of North Hesse appear less pressing. Throughout the region, demographic problems are vexing because they encompass so many issues -- childcare, education, retirement age, land use, gender equality, the job market, and immigration -- so that concerted action will take not just recognizing the problem, but huge injections of political capital. END COMMENT.

10. This cable was coordinated with Embassy Berlin.

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